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Order 2001-8-12

Served: August 15, 2001



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 10th day of August, 2001

45-day notice filed by

**GREAT LAKES AVIATION, LTD.**

of intent to suspend service at Dubuque, Iowa,  
under 49 U.S.C. 41717(g)

Docket OST-01-10131- 3

**ORDER ALLOWING SUSPENSION OF SERVICE**

**Background**

On July 11, 2001, Great Lakes Aviation, Ltd., filed a 45-day notice of intent to suspend its scheduled service between Dubuque, Iowa, and Chicago O'Hare International Airport as of August 25, 2001. Great Lakes filed its notice pursuant to 49 U.S.C. 41717(g). Under that provision, as it applies here, a carrier providing service between a small hub or nonhub airport and O'Hare on or before April 5, 2000, by virtue of having been granted exemptions from the High Density Rule may not suspend that service unless it files a 45-day notice under 49 U.S.C. 41719 and the Department "determines that the carrier suffered excessive losses, including substantial losses on operations on that route during the calendar quarters immediately preceding submission of the notice."<sup>1</sup>

Great Lakes operates three daily nonstop round trips between Dubuque and O'Hare with 19-seat Beech 1900 turboprop aircraft. Dubuque is also served by American Eagle Airlines, Inc., which operates four nonstop round trips each weekday and six each weekend to O'Hare with 36-seat Embraer RJ135 regional jet aircraft, and by Mesaba Aviation, Inc., d/b/a Northwest Airlink,

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<sup>1</sup> The Department granted slot exemptions to Great Lakes for the purpose of providing Dubuque-O'Hare service by Order 97-1-7, January 13, 1997. Dubuque is classified as a nonhub airport by the Federal Aviation Administration's *Airport Activity Statistics of Certificated Route Carriers*, since it accounts for less than 0.05 percent of all U.S. enplanements. More recently, however, the Department granted exemptions to *all* carriers wishing to provide service between small hubs and nonhubs and O'Hare with aircraft of less than 71 passenger seats; see Order 2000-4-14, April 14, 2000, which implemented 49 U.S.C. 41717(b). Section 41717 was enacted by the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, P.L. 106-181, which was signed into law on April 5, 2000.

which operates four nonstop round trips each weekday and seven each weekend to Minneapolis/St. Paul with 33-seat Saab 340 turboprop aircraft.<sup>2</sup>

No objections to Great Lakes' notice have been received.

### **Decision**

After careful consideration, we will allow Great Lakes to suspend its service at Dubuque as proposed. Great Lakes has provided the Department with data regarding its recent results for both its system generally and its Dubuque-O'Hare operation specifically. With respect to system-wide results, Great Lakes has submitted data as published in its Annual Report as well as in its Form 10-K Report filed with the Securities and Exchange Commission showing that the carrier experienced a net loss in calendar year 2000 of about \$8.2 million on operating expenses (excluding interest expense) of \$132.6 million, after having registered net incomes of \$2.7 million in both 1998 and 1999. On the Dubuque-O'Hare route specifically, Great Lakes has submitted monthly data for the 12 months ended June 30, 2001. The carrier shows an operating loss on the route for every month during the period, with a 12-month operating loss of about \$670,000 on revenues of \$2,212,000 and expenses of \$2,882,000.

There are two standards in the statute: "excessive", which, from the context, we interpret to mean system-wide losses; and "substantial", which, also from the context, we interpret to refer to losses in the specific city-pair market. Although no timeframe is provided for the system-wide losses, the city-pair market losses are to be determined on the basis of at least two of the calendar quarters preceding the one in which the notice is submitted.

Since neither "excessive" nor "substantial" are defined in the statute, we have looked elsewhere for a sense of the ranges of loss that Congress intended. We note that Congress has indicated what a desirable minimum profit is for commuter carriers providing subsidized service under the essential air service program: 5 percent of operating expenses (49 U.S.C. 41734(d)(1).) Over the four most recent calendar quarters, Great Lakes' losses in the Dubuque-O'Hare market have represented 23 percent of expenses. Those losses are of a magnitude 4.6 times as great as what is deemed a reasonable profit in commuter operations, and we find them to be substantial. In addition, Great Lakes' system-wide net loss represents 6.2 percent of operating expenses, and we find this level of system-wide loss to be excessive. We will therefore allow Great Lakes to suspend its service at Dubuque.

However, before Great Lakes suspends service, we expect it to contact all passengers who hold reservations for flights that will be suspended, to inform them of the suspension and the availability of other service at Dubuque, and to assist them in arranging alternate transportation.

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<sup>2</sup> See the Appendix for a map. Of Northwest AirlinK's service, two round trips each weekday and four each weekend are nonstop, while the others are operated via Waterloo, Iowa.

This order is issued under authority delegated in 49 CFR 1.56a(f).

**ACCORDINGLY,**

1. We allow Great Lakes Aviation, Ltd., to suspend its scheduled air service at Dubuque, Iowa, as of August 25, 2001; and
2. We will serve copies of this order on the mayor and airport manager of Dubuque, Iowa, Great Lakes Aviation, Ltd., American Eagle Airlines, Inc., and Mesaba Aviation, Inc., d/b/a Northwest Airlink.

By:

**SUSAN McDERMOTT**  
Deputy Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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## DUBUQUE, IOWA, AND THE SURROUNDING REGION

